

HIGHWAY AND BRIDGE TRANSPORTATION FUNDING

Federal Transportation Legislation typically identifies funding levels available to states based upon expected federal revenues for a six-year period. These funding levels, or **authorizations**, generally establish upper limits for future funding and spending levels. The most recent examples of Federal legislation are shown below:

The Intermodal Surface Transportation Efficiency Act (ISTEA) of 1991 established requirements for extensive planning and flexibility of federal funds for projects, including Transportation Enhancement, Surface Transportation, Bridge, Congestion Mitigation and Air Quality, and research and planning projects. This legislation covered the years from 1992 through 1997.

The Transportation Equity Act for the 21st Century (TEA - 21) was signed into law in 1998. This Act re-affirmed the goals of ISTEA and provided increased funding and flexibility to the states to provide safer and more efficient transportation facilities and networks. This legislation covered the years from 1998 through 2003 and remains in effect through continuing resolutions.

Federal legislation for the next (2004 through 2009) authorization timeframe is currently still being developed. The legislation is tentatively called the Safe, Accountable, Flexible and Efficient Transportation Equity Act (SAFETEA) of 2003. It proposes continuing the initiatives established under ISTEA and TEA-21 relative to funding programs and flexibility, but contains greater emphasis on safety (to reduce highway fatalities nationwide through increased seatbelt use and better operation of the highway system, including enforcement). In addition, the legislation as proposed by the Administration assumes no increase in highway user fees (gas taxes), and consequently increases in funding levels are limited. The anticipated federal funding shown in this proposed Ten Year Plan reflect the levels of funding proposed in the Administration's budget. The levels shown represent a reduction from the levels projected in the 2005-2014 Ten Year Plan.

Annually, for the federal fiscal year (October 1 to September 30 of the next year), Congress takes the authorized levels of funding and apportions them to address the general programs that Congress has mandated in the authorizing legislation. The funding for these general programs is either Formula funding or Non-Formula funding. Formula and Non-Formula funding are characterized as follows:

Formula funding covers those programs that are typically defined through the authorization legislation and remain constant over the life of that legislation. Typical previous categories are Interstate Maintenance, National Highway System, Surface Transportation Plan, Bridge Plan, Congestion Mitigation and Air Quality, Transportation Enhancement, and Statewide Planning and Research.

Non-Formula funding covers special funding categories such as Scenic Byways and Forest Highway Plans. These funding levels can change substantially from year to year, and they cover specific congressionally designated projects to which defined amounts of money are allotted.

The actual amount of federal money that can be spent in a given federal fiscal year is called the **obligational authority/limitation**. Congress establishes this obligational authority annually as part of apportioning previously authorized funding levels. The amount of obligational authority usually changes from year to year, though the amount of obligational authority is usually less than the amount of apportionments that a state receives from year to year. The obligational authority funding levels are based on actual revenues received and other current national priorities.

Currently, NHDOT is anticipating approximately \$141 million in federal obligational authority in 2007, increasing slightly per year until 2009 and \$5 million per year in the remaining years of the Ten Year Plan. These are federal formula funds only. It is important to note that these estimates are based on amounts received in the last ten years and appropriations currently suggested in the draft version of SAFETEA.

The chart below shows the estimated amount of Federal Formula funds the State will receive over the next Ten Years. Anticipated federal funding (along with the appropriate State or municipal match) is reconciled with the estimated costs of projects, which is the basis used to assume the plan is financially constrained.

<u>Fiscal Year</u>	<u>Anticipated Federal Funding</u>
2007	\$141,200,000
2008	\$141,700,000
2009	\$143,900,000
2010	\$149,000,000
2011	\$154,000,000
2012	\$159,000,000
2013	\$164,000,000
2014	\$169,000,000
2015	\$174,000,000
2016	\$179,000,000

Most of the Federal Aid Funding categories (currently 93+ categories) provide enough flexibility in their use to assist in the implementation of projects in the State's Ten Year Plan, however, some funding categories can be used only for the purpose designated.

Non-Formula funding, which Congress allocates for specifically designated projects, can be used only on the projects so designated. Projects that have designated Non-Formula funding are also shown in this Ten Year Plan.

The Ten Year Plan includes yearly funding for programs that are mandated by federal legislation. Funding for these programs comes from Federal funds, and they require the appropriate State match. From these programs specific projects can be developed. As projects begin, funding from the Statewide designation is transferred to the specific project, and the project is listed

separately. Funding amounts are 80% Federal Funds and 20% State Funds in most cases. Examples of programs and previous total annual funding amounts are listed below.

- SPR #1 State Planning & Research – Part #1 \$ 2.198 million
 “Planning” (includes Rural Regional Planning Commission Funding)
- SPR #2 State Planning & Research – Part #2 “Research” \$ 0.733 million
- Statewide Forest Highways \$ 0.747 million
- Statewide Congestion Mitigation and Air Quality \$ 9.189 million
- Statewide DBE Compliance Monitoring \$ 0.090 million
- Statewide Local Technical Assistance Program (LTAP) \$ 0.280 million
- Statewide Geodetic Services \$ 0.039 million
- Statewide Transportation Enhancement \$ 4.000 million
- Statewide Metropolitan Planning Organizations funding \$ 1.164 million
- Statewide Recreational Trails \$ 0.600 million
 (Projects Selected Annually for Trails
 Development)

The 2005-2014 Ten Year Plan also included yearly funding for programs that are not designated by Congress, but have been considered important for maintaining and upgrading the State's transportation system. Funding ratios are 80% Federal Funds and 20% State Funds in most cases:

• Statewide-Federal Resurfacing	\$ 10.000 million
• Statewide-Pavement Markings	\$ 1.866 million
• Statewide-Signing Upgrades	\$ 0.500 million
• Statewide-Municipal Urban Projects	\$ 5.000 million
• Statewide-Federal Funded Municipal Bridges	\$ 4.000 million
• Statewide-Annual Training Plan	\$ 0.200 million
• Statewide-Rural Technical Assistance Plan	\$ 0.280 million
• Statewide-Guardrail Replacement	\$ 1.000 million
• Statewide-Railroad Crossings	\$ 0.950 million
• Statewide-Interstate Crack Sealing	\$ 0.100 million (now proposed to be included under Statewide-Interstate Pavement Preservation)
• Statewide-Underwater Bridge Inspection	\$ 0.030 million
• Statewide-N.E. Consortium Studies	\$ 0.100 million
• Statewide-AASHTO Outreach to High Schools (TRAC)	\$ 0.021 million
• Statewide-Interstate Pavement Preservation funding amounts varies by year	

In addition, State funds are expended as identified in the following categories:

Turnpike Program: Established under RSA 237, the Turnpike "Capital Improvement Program" is a multi-year program originally authorized by the New Hampshire Legislature in 1986 to improve and expand the Turnpike System. The expansion and improvement projects in the Capital Improvement Program are designed to provide safety improvements to the existing Turnpike System and increase the Turnpike System's capacity. Through April 30, 2005, a total of \$395 million in bond proceeds, investment earnings, and available toll revenues had been expended on Capital Improvement Program projects. Legislation provides for up to \$586 million in bonding authority.

This draft of the Ten Year Plan includes \$ 245.7 million in proposed Capital Improvements between 2007 and 2012. However, the potential for these improvements to occur are very much contingent on revenue from toll fares increasing substantially from current levels. Without a meaningful increase in revenue, bonding cannot be initiated to cover the cost of the proposed improvements. Turnpike Capital Improvements in the Plan for the years 2013 through 2017 are

similarly problematic in terms of funding, and will need to be given further consideration in future Ten Year Plans.

The Turnpike Renewal and Replacement program is used to keep the Turnpike system well maintained. Expenditures for resurfacing, bridge rehabilitation, bridge painting, high mast lighting, roofing, and life safety issues for toll operators are paid through this program. The State's financially responsible decision is to set aside \$2 million in a General Reserve Account for unanticipated Renewal and Replacement costs. For Fiscal Years 2007 through 2016, the Turnpike System's proposed Renewal and Replacement budget totals about \$6 million/year. The actual amount funded will be dependent on the amount of revenue available annually.

The introduction of EZ Pass in July/August 2005 will require additional operational expenditures of \$5.5 million per year, which will be partially offset by the elimination of the token system (estimated to cost \$750,000 per year) in January of 2006. Ultimately, the change in discount rate from 50% to 30% under the EZ Pass system may increase overall Turnpike revenues by \$4 million per year. The actual increase will be monitored closely. Should the increase be sufficient, consideration will be given to funding the Capital Improvement projects.

Betterment Program: The Betterment program (established under RSA 235:23-a) is used for highway and bridge improvements. Typically, Betterment funds are used to address relatively small (less than \$1.0 million) projects on the state system. From the State gas tax of 18 cents, 88% of 3 cents goes to the Betterment program. Funding for the Betterment program is approximately \$ 21.5 million/year. Only state (non-Turnpike) roads and bridges qualify for this funding.

State Aid Highway (SAH): Established under RSA 235:10-:21, about \$1.7 million/year is designated to be spent under this program to construct or reconstruct sections of Class I, II and III highways. Of the total project funds, 2/3 is provided by the State and 1/3 of the funds are the town's matching funds. The communities need to raise funds before being enrolled in the program. Based on current municipal commitments, projects are programmed for funding into FY 2009.

State Aid Bridge (SAB): Established under RSA 234, about \$ 6.8 million/year is designated to be spent under this program to construct or reconstruct structures on Class IV and Class V highways, as well as, municipally-maintained bridges on Class II highways. Structures having a clear span of ten (10) feet or greater qualify for State Aid Bridge funds. Of the total project funds, 80% of the funds are provided by the State and 20% are town matching funds. The communities need to raise funds before being enrolled in the program. Based on current municipal commitment of funds, projects are programmed for funding into FY 2009.